UNITED NATIONS

DP

Governing Council of the United Nations Development Programme

Distr.
GENERAL

DP/CP/ROK/5
12 March 1993

ORIGINAL: ENGLISH

Fortieth session
1-18 June 1993, New York
Item 4 (a) of the provisional agenda

PROGRAMME PLANNING AND IMPLEMENTATION

Country, intercountry and global programmes

FIFTH COUNTRY PROGRAMME FOR THE REPUBLIC OF KOREA

Programme period	Resources	$
January 1993-December 1996	Net IPF	4 591 000
	Estimated cost-sharing	9 000 000
	Total	13 591 000

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. Over the last decades the Republic of Korea has experienced spectacular economic growth and has transformed itself from an agricultural economy into an industrial and service economy. In 1960, 61 per cent of the workforce was employed in agriculture; by 1990 that figure had dropped to 18 per cent and is still declining. Agriculture contributes only 10 per cent of gross national product (GNP), reflecting its current low productivity relative to other sectors. Employment in manufacturing is estimated at 34 per cent and in services at 48 per cent (1990). Exports are almost exclusively from manufacturing (94 per cent in the 1988-1990 period, 50 per cent of which was from heavy industry and chemical products).

2. Throughout the 1980s macroeconomic trends remained favourable. A well educated and disciplined workforce, a high savings and investment rate (contributing over one third of GNP) and a favourable trade environment contributed to a GNP growth averaging nearly 10 per cent per year. Exports boomed, with average growth rates hitting their peak in the 1986-1988 period at over 30 per cent per year. By 1992, total GNP reached nearly $300 billion, or $6,500 per capita, in a population of 43 million.

3. Towards the end of the decade, however, significant problems of macroeconomic management had emerged, as the reverse side of the country's newly acquired prosperity. Although the political climate was one of rapid democratization, strong tensions resulted from uneven land and home ownership, high real estate prices, labour shortages and labour disputes, which caused wages to grow well in excess of productivity. Rising production costs and increasing protectionism in foreign markets caused sharp drops in exports, to 5.2 per cent per year in 1989-1991. Imports of consumer products continued to grow during the same period at 16 per cent per year, resulting in large trade deficits, peaking at $10.6 billion per year in 1991. Restrictive measures to reduce inflation and the trade deficit ensued, reinforcing the already adverse global economic climate. The economic downturn revealed structural weaknesses, especially among small- and medium-size industries, a consequence of the traditional reliance on the large international conglomerates, the chaebuls, for economic growth.

4. To some extent, the resilient Korean economy has recovered somewhat by expanding trade with developing countries. Declining exports (and market shares) in the United States of America and Europe are being balanced by increasing exports to trade partners in Asia and the former Soviet Union. To avoid high domestic wages, Korean investors have relocated to other Asian countries. However, recent experiences have shown that enormous efforts will be necessary in the development of human resources, technology and infrastructure for the country to join the ranks of the world's advanced economies.

5. The Republic of Korea has used its economic prosperity - which is often attributed to high levels of education - for human development. It ranks with developed countries in achieving high literacy (95 per cent) and health standards (a life expectancy of 70 years, virtually universal access to health services and sanitation and 78 per cent access to safe water). The UNDP human

development index ranks the country 35th among 160 countries, almost the same as its per capita income rating. Even with impressive gains in human development, however, inequalities persist in opportunities and living conditions, corresponding to differences in quality of economic development between urban and rural areas, between men and women and with regard to such disadvantaged groups as the handicapped. Environmental problems threaten the quality of life, especially health factors.

B. National development objectives and strategies

6. The national development plan envisages an average annual growth rate of 7.5 per cent, down from 10 per cent in the previous plan period. By 1996, per capita GNP is projected to be $10,000. The lower growth target is the result of the Government's concerns regarding macroeconomic stability, control of inflation, the balance-of-payments deficit and improvement in living standards, in the context of democracy and political pluralism.

7. The Government's primary strategy to achieve growth is to increase the competitiveness of the economy through technological upgrading of industry and agriculture. Rising labour costs and the relative weakness in autonomous and innovative technological capacities (in contrast to the strengths in imitative and adaptive technologies) has made the Government attach a very high priority to further technological advancement. Expenditures on research and development are expected to increase from the current level of 2.1 per cent of GNP to between 3 and 4 per cent. This has major implications for further strengthening of public and private research institutions. Most of the country's needs with regard to technology could be met by market place purchases and through bilateral cooperation with technologically advanced countries. The Government's intentions are clearly reflected in the "G-7" plan aimed at boosting the Republic of Korea's scientific and technological strength to the level of the seven most advanced nations in the world.

8. Crop diversification and consolidation of farm holdings are planned to raise agricultural productivity. Off-farm activities and rural industrialization will be stimulated, and agricultural employment will further decrease.

9. The Government is committed to improve the framework of social development in the face of human development disparities. Increasing emphasis is being placed on gender issues and on enabling women to play a larger role in the economy and in society, which will benefit productivity. High priority is given to improving labour relations in view of its significance in economic and social efficiency and stability. (The country joined the International Labour Organisation (ILO) in 1991.) In its presentation to the United Nations Conference on Environment and Development (UNCED), the Government outlined its intentions with regard to environmental improvements and sustainable development. Sophisticated technology will be used to control air and water pollution, conserve energy and soil, and improve management of waste and of toxic chemicals. Environmental monitoring and education are to be strengthened, with general application of the "polluter pays" principle.

II. EXTERNAL COOPERATION

10. The Republic of Korea is no longer a recipient of bilateral aid, and multilateral assistance is on the decline. The Government has agreed to cooperate with UNDP in the fifth cycle as a net contributor country. In a modest way, the country has already begun to operate as a donor country. Current official development assistance (ODA) is around 0.04 per cent of GNP. Through the Economic Development Cooperation Fund (EDCF), Korea began supplying developing countries with long-term loans. In 1990 a Youth Volunteers Programme was established, and in 1991 the Korea International Cooperation Agency (KOICA) was created to manage bilateral grant aid and technical cooperation.

III. THE COUNTRY PROGRAMME

A. Assessment of ongoing country programme

11. There is a consensus in the Government that the fourth country programme made a substantial contribution to strengthening the institutions with which it was associated. As in the past, the programme concentrated on scientific and technological capability and implemented its projects through solidly established institutions. The UNDP financial contribution was a small part of overall resources. The absorptive capacity was high and, as an expert assessment has suggested, UNDP resources obtained results well beyond the financial inputs. Impact on the sectors concerned, while varying, has been remarkable. Three factors have been instrumental in achieving these results: (a) the commitment of recipient institutions and the sponsoring ministries; (b) coordination of project design and implementation with government budget planning and allocation to cover all recurring and investment costs of physical infrastructure; and (c) sound management and high-quality professional staff in recipient institutions.

12. Although most of these projects were executed through United Nations system agencies, the role of these agencies has been limited in view of the technical capacities already available within the country and the extensive contacts of the recipient institutes with foreign counterparts, enabling direct access to a wide choice of expertise. These capacities will enable more national execution in the coming cycle. UNDP extensive relations with the local scientific and technical community, which were developed over the years, will now offer a base for technical cooperation among developing countries (TCDC), especially within the region.

13. The focus on science and technology, however, has resulted in the relative neglect of such issues as economic and social policy and the environment, where United Nations system contributions could be important, particularly at a time when international standards and multilateral frameworks are being developed.

B. Proposals for UNDP cooperation

1. Preparatory process

14. Preparations for the formulation of the fifth country programme were based on a joint Government/UNDP assessment of progress made under the fourth country programme, taking account of the mid-term review in 1989. The UNDP field office held extensive discussions with government agencies - the Ministry of Science and Technology, the Ministry of Foreign Affairs and the Economic Planning Board - and with such organizations as KOICA and the Korea Development Institute, on the substantive content of the country programme. UNDP submitted a comprehensive advisory note to the Government in May 1992, recommending a well-defined programme of work, and the Government indicated its concurrence with these proposals, with some modifications.

2. Strategy for UNDP cooperation

15. Three principles form the basis for the proposed country programme. First, programme activities will be focused in those areas where the track record of UNDP in the Republic of Korea, as well as its global thematic concerns, give it a comparative advantage. Second, the country programme, at this stage of the country's development, will be an instrument for stimulating subregional and regional cooperation, especially through TCDC, and in cooperation with the regional and subregional programmes to which the Government attaches high priority. Third, the country programme will assist the Government in adjusting to emerging conditions in such areas as environment, trade and social and human development. In all these considerations the international dimension represented by UNDP is highly pertinent.

16. The Government has borne in mind that the traditional form of cooperation with UNDP over the last two decades is now coming to an end. In this current phase, where programmes are financed primarily by Government cost-sharing, radical new departures in content and modality are not appropriate. However a programme, rather than project, approach, is proposed. Technical cooperation activities will be integrated into government programmes in the five areas of concentration described below. Flexibility in the design of programmes is especially important.

17. It is proposed that the resources available to the programme, around $13.6 million, be allocated as follows: 17 per cent to environmental management; 18 per cent to industrial restructuring; 36 per cent to activities connected with Tumen River development and related subregional cooperation; 6 per cent to social development and 6 per cent to TCDC. Ancillary activities outside these areas of concentration are expected to require 6 per cent of resources. An unprogrammed reserve of 11 per cent of total resources will be maintained.

3. Proposed UNDP cooperation in selected areas of concentration

18. As mentioned above, it is recommended that the country programme be focused on five distinctive programmes in accordance with government priorities. They are: environmental management; industrial restructuring; Tumen River development; social development; and TCDC. These programmes are aimed at supporting the Government's strategy to stimulate a balanced approach to sustainable socio-economic development and facilitate intercountry and multilateral cooperation, while enabling UNDP thematic concerns to be fully addressed.

Environmental management

19. The objective of this programme is to assist the Government in developing comprehensive environmental policies and programmes, especially in the context of multilateral agreements of UNCED.

20. Rapid industrialization, the relative decline of the agricultural and rural sectors and the rise of manufacturing and service sectors have set in motion an inexorable process of urbanization, which, by the year 2000, will witness 70 per cent of the population living in urban areas, mainly in six large cities. Air pollution has increased with rising energy consumption, which has grown from 9.7 million tons of oil equivalent in 1961 to 130 million tons in 1990. Water pollution has increased with the discharge of pollutants into rivers and streams; in 1988, daily household sewage and industrial waste water amounted to 1 million tons and 450,000 tons, respectively, with only 28 per cent treated before being discharged into rivers. Ninety-five per cent of waste is disposed through open dumping.

21. Participation in UNCED has focused the views of the Government and various segments of the society on the global, regional and domestic dimensions of sustainable development. In August 1992 the Government drew up a comprehensive set of measures to carry out its obligations with respect to the global environment in the context of Agenda 21. A major symposium held in Seoul in September 1992 as a follow-up to UNCED explored the implications of Korea's development trends in environmental management in the Republic of Korea.

22. Against this background the fifth country programme will focus on critical aspects of environmental management within a comprehensive strategy that will be designed in cooperation with the Government. The programme is expected to focus on four clusters of activities. First, it will enable the development of integrated planning models for a sustainable environment in selected geographic regions. One activity concerns planning an "Eco-polis", a limited urban area in which all sectors of the society participate in improving the environment; this could then serve as a model for replication. The second area concerns environmental economics, especially applied methodologies for environmental impact assessment and proposals for taxation of carbon dioxide emissions and saleable emission permits. Practical application of environmental economic theory will stimulate greater research and teaching in environmental economics in local institutions. Third, environmental resource information networks will be developed that can use data and other information from both national and international sources and that will be the nucleus of a Sustainable Development

Network. The fourth area of concern is the International Convention on Biological Diversity, to which the Republic of Korea is party. The Government will support comprehensive mapping of its considerable natural resources as a follow-up to ongoing technical cooperation in this field. The Government will also explore possible support from UNDP Capacity 21 to reinforce parts of its environment programme.

23. The activities within the environment management programme will be carried out in cooperation with subregional programmes, which the Government actively promotes. They will also be linked closely to the programmes being implemented under the intercountry programme in the environmental area.

24. The success of this programme will be judged by the improvements in environmental planning and in the development of environmental technology, as well as in the progress made towards cooperation throughout North-East Asia on environmental issues.

Industrial restructuring

25. The objective of this area of programme activity is to facilitate the participation of small- and medium-size enterprises in the industrial and service economy, by, inter alia, upgrading their technological capacity.

26. The impetus for economic development in the Republic of Korea has come from large conglomerates, whereas smaller businesses have traditionally played a secondary role, in a dependent position. Working with limited access to capital, technology and international markets, they have proved the least resilient during the economic downturn of recent years. In 1992 alone, more than 10,000 small- and medium-size enterprises - one out of every seven - went bankrupt. Reversal of this trend has become a very high national priority, both as an economic and social consideration.

27. Although this sector has encountered serious problems, it also has considerable opportunities. In the first place, it has an advantage with respect to organizing capital and technical and human resources cost-effectively, a critical factor in the face of mounting labour costs. Second, the country has developed major entrepreneurial capacities within the conglomerates; it is now feasible to stimulate the more efficient exploitation of these capacities through small businesses owned and managed by entrepreneurs who are currently employees rather than employers. Third, the globalization of production has created many opportunities for specialized markets which can best be exploited by smaller enterprises. This has been done successfully in other countries at similar stages of development.

28. Industrial restructuring will support both the formulation of appropriate public policies for small- and medium-size enterprises and the strengthening of institutional capacities for servicing them. The Government is undertaking major reforms in the financial services sector, in the organization of industry and in research and development. The programme will provide support for these reforms to give smaller businesses easier access to sources of capital and technology.

29. In this context, two activities are envisaged: the provision of training in industrial technological development through familiarization with arrangements in selected countries, and the establishment of a Technology and Financing Information Centre. The Centre will bring sources of technology and comprehensive managerial and financial information closer to their intended users. This Centre could be a model for other developing countries.

30. Assistance is also being considered for the establishment of a nationwide network of science and technology information and for technology development in specialized areas.

31. The achievements of this programme will be judged by improvements in public policies towards small and medium-size enterprises and by their technological upgrading, as evident in new production technologies and diversification of markets.

Tumen River development

32. The objective in this area of activity is to enable the Government to participate in the Tumen River Area Development Programme (TRADP), a cooperative programme among countries in North-East Asia.

33. The TRADP is an ambitious undertaking aimed at promoting cross-border economic growth of the five participating countries - China, the Democratic People's Republic of Korea, Mongolia, the Republic of Korea and the Russian Federation. Realization of the development potential in the area is expected to generate billions of dollars of investment over a 20-year period. It will concentrate on the development of three contiguous export-oriented economic zones and more coordinated and rational development of infrastructure and other investments in the surrounding North-East Asia region. The Tumen River Delta, which is referred to as the Tumen River Economic Zone, includes portions of China, the Democratic People's Republic of Korea and the Russian Federation. The zone is expected to emerge as an important financial, industrial and trade region by exploiting its hinterlands. Once developed, the area will have the potential of becoming an important land bridge between Asia and Europe.

34. The initial stage of the TRADP focuses on data and information gathering and preliminary evaluation as part of prefeasibility study activities. A Programme Management Committee has been established and several subregional activities have been undertaken with UNDP funding. The prefeasibility studies will address three main area: legal, institutional and financial issues; infrastructure; and economic management, industry and foreign trade. The TRADP will formulate an integrated development plan by the end of 1993. Once this plan has been approved by the participating countries, a comprehensive development programme, including the feasibility study and design process, will be further refined starting in 1994.

35. Activities under the country programme will serve to complement the subregional programme. These activities will assist with the survey of the development potential of the Tumen River area and the gathering and comprehensive analysis of all available data and information related to it. The fruits of these efforts will ensure that the Comprehensive Development Programme addresses all development alternatives based on cost-efficient and sound

technological goals. The country programme will contribute to development of intergovernmental mechanisms of cooperation for specific activities through objective studies on development methods and the institutional framework for cooperation.

36. The country programme will also make it possible for countries to undertake feasibility and pre-investment studies of several infrastructure-related projects, including telecommunications, port development and road and rail links, to ensure the most effective and efficient options. In formulating the master plan, the country programme will provide technical services for several major projects and development designs.

37. In addition, UNDP assistance will support information and data-gathering activities to develop cooperation among the participating countries, focusing on the Tumen River area, in trade, environment and natural resources; and will contribute to other activities to enhance the potential for development of the area.

38. The achievements of this programme will be judged by the extent of Government participation in Tumen River development and by the investment options and choices, based on rigorous cost/benefit analysis, offered to participating countries.

Social development

39. The objective of this area of activities is to enhance the role of women in the development process and to improve labour relations practices. A greater focus on the potential contribution of women in economic and social development and improvement in labour relations can assist significantly at this stage of the country's economic growth.

40. The participation of women in the economy has risen from 34.4 per cent in 1963 to 46.5 per cent in 1989, and there is the prospect of more participation. However, the average wage level of females in 1989 was only 54 per cent of that of males, a striking indication of relatively low occupational levels. The programme will focus on placing issues concerning women on the national economic and social agenda to remove discriminatory practices and mobilize and organize women's grass-roots groups. Of particular importance is the creation of an annual conference to review women's issues and trends and determine appropriate action.

41. Since 1987, labour relations have changed dramatically, with increased labour organization, collective bargaining and the right to strike. Labour disputes have increased in number, and associated production and export losses are significant. Central to the efficient performance of the economy is an established system of labour-management relations. The programme will focus on the provision of advisory services in developing effective labour-management practices and systems on the basis of equity and national interest. Multilateral assistance from UNDP and ILO has already been provided and will be continued.

42. The contribution of this programme will be a greater role for women over the next five years in the economic and social sectors and improvements in the quality of labour management and labour relations.

TCDC

43. The objective of this programme is to enable the Government to mobilize its extensive technical resources for TCDC within the framework of its expanding technical cooperation programme.

44. This is a unique programme, tailor-made for the Republic of Korea, in view of the major scientific and technical capacities it has built over the years. These capacities constitute a significant resource for economic and technical cooperation with other developing countries, especially in the Asia and Pacific region, and more specifically in North-East Asia. There are nearly 50 major research institutions, both in pure sciences and in the social sciences, that have the capacity to extend expert services to other developing countries and to organize relevant forms of training in many fields. They also have the capacity to collaborate in research and studies in fields ranging from the environment to micro-enterprises and could, perhaps, take the lead among regional networks. UNDP is in an advantageous position to stimulate these institutions to develop TCDC in view of its comparative advantage in this area. Institutions within the private sector can also offer expertise. In developing a programme to generate TCDC activities through national institutions, collaboration with institutions like KOICA, which is already examining the potential for this kind of activity, will be ensured.

45. The achievement of this programme will be judged by the Government's increasing commitment to TCDC and more extensive use of its institutional technical resources to achieve development and technical and economic cooperation in the Republic of Korea and other developing countries.

C. Assistance outside the main areas of concentration of the country programme

46. Only a very small portion of programme resources is allocated to activities outside the areas of concentration. Primarily, there will be two specific activities in the agriculture sector. First, assistance will be provided to enable the Government to develop appropriate agricultural policies in the context of new multilateral arrangements for agricultural trade, subsequent to the Uruguay Round of the General Agreement on Tariffs and Trade. Second, integrated pest management is closely related to improved environmental management and has major implications for agricultural productivity. This activity is expected to be linked with the FAO Integrated Pest Management Programme and other intercountry programmes in North-East Asia. This programme area is also expected to improve the prospects of disabled persons, through a project for the handicapped. The spread of the human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS) will also be examined in the context of the country programme.

D. Implementation and management arrangements

47. Greater emphasis will be placed on national execution and on the programme approach.

48. As discussed above, it will be possible to use local technical resources extensively in programme implementation and this needs to be further pursued. The new programmes will be implemented and executed primarily by national agencies, preferably by selected research institutions. Nevertheless, several programmes will still benefit from cooperation with specialized agencies within the United Nations system, for example, projects dealing with labour relations (ILO) and integrated pest management (FAO).

49. The Government recognizes the validity of the programme approach and has developed the country programme accordingly. Although efforts have been made to limit the number of areas of intervention, the Government is aware that after careful selection, a fairly large number remains. However, most interventions - even those in smaller projects - are aimed directly at overall development objectives on the national level and will be implemented and monitored accordingly, sometimes with involvement of several agencies. Interventions are often interconnected, as in environmental management. This requires a great deal of coordination among related activities and responsible agencies, and will be examined thoroughly prior to the development of detailed programme proposals.

50. An important requirement is the establishment of appropriate performance indicators for each programme so that progress can be monitored and evaluated in the course of programme implementation. These indicators will be developed jointly by UNDP and the Government.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

	(Thousands of dollars)	
Carry-over from fourth cycle IPF	1 688	
Fifth cycle IPF	4 165	
Estimated expenditures in 1992	(1 262)	
Subtotal IPF		4 591
Project cost-sharing (Government)	5 000	
Project cost-sharing (third party)	4 000	
Programme cost-sharing	-	
Subtotal cost-sharing		9 000
TOTAL		13 591

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

Area of concentration	IPF	Cost-sharing	Total	Percentage of total resources
Environment Management	1 129	1 129	2 258	17
Industrial Restructuring	1 200	1 200	2 400	18
Tumen River Development	-	5 000	5 000	36
Social Development	407	408	815	6
TCDC	407	408	815	6
Subtotal	3 143	8 145	11 288	83
Assistance outside the main areas of concentration	407	408	815	6
Unprogrammed reserve	1 041	447	1 488	11
TOTAL	4 591	9 000	13 591	100

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

No complementary assistance is foreseen at the present stage.

Annex II

PROGRAMME MATRIX a/

Area of concentration	Area of focus					
	Poverty eradication and grass-roots participation in development	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
I. ENVIRONMENT MANAGEMENT		*		*	*	
II. INDUSTRIAL RESTRUCTURING			*		*	
III. TUMEN RIVER DEVELOPMENT			*	*	*	
IV. SOCIAL DEVELOPMENT	*		*			*
V. TCDC			*	*		

a/ Asterisks indicate major linkage only.